

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Norvell	County Jackson
Fiscal Year End June 30, 2005	Opinion Date April 2, 2008	Date Audit Report Submitted to State April 7, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 communication
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.		Telephone Number (269) 381-4970
Street Address 246 E Kilgore		City Kalamazoo
		State MI
		Zip 49002
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen
		License Number 1101020724

*Township of Norvell*  
*Jackson County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2005*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Norvell, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Norvell, Michigan, as of June 30, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Norvell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not included the Wamplers Lake Sewer Debt Service Fund, the Vineyard Lake Sewer Debt Service Fund, and the Tax Collection Fund in the Township's financial statements. Accounting principles generally accepted in the United States of America require the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be presented as major governmental funds and financial information about the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amounts by which this departure would affect the assets, fund balances, liabilities, net assets, revenues, and expenses of the governmental activities and the omitted major funds are not reasonably determinable. Accounting principles generally accepted in the United States of America require the Tax Collection Fund, an agency fund, to be presented as a fiduciary fund, thus increasing assets and liabilities of the fiduciary funds. The amount by which this departure would affect the assets and liabilities of the fiduciary funds is not reasonably determinable.

In our opinion, because of the omission of the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund of the Township of Norvell, Michigan, as of June 30, 2005, or the related changes in financial position for the year then ended.



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In addition, in our opinion, except for the effects of not including financial information for the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund as part of the governmental activities, as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Township of Norvell, Michigan, as of June 30, 2005, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, because of the omission of the Tax Collection Fund as described above, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the of the Township of Norvell, Michigan, as of June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Police Fund, and the Fire Fund of the Township of Norvell, Michigan, as of June 30, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Norvell, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Sigfried Crandall P.C.*

April 2, 2008

## **BASIC FINANCIAL STATEMENTS**

**Township of Norvell**  
**STATEMENT OF NET ASSETS**  
*June 30, 2005*

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	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 310,029
Receivables	84,744
Prepaid expenses	<u>21,395</u>
Total current assets	<u>416,168</u>
Noncurrent assets:	
Capital assets, not being depreciated - land	5,261
Capital assets, net of accumulated depreciation	<u>91,120</u>
Total noncurrent assets	<u>96,381</u>
Total assets	<u>512,549</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	29,085
Due to other funds	4,000
Escrow deposits	44,162
Deferred revenue	38,184
Notes payable	<u>1,312</u>
Total current liabilities	<u>116,743</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	95,069
Restricted for public safety	101,644
Unrestricted	<u>199,093</u>
Total net assets	<u>\$ 395,806</u>

*See notes to financial statements*

**Township of Norvell**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2005

		<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	
<b>Functions/Programs</b>	<b><u>Expenses</u></b>				
Governmental activities:					
Legislative	\$ 5,426	\$ -	\$ -	\$ -	\$ (5,426)
General government	202,341	45,717	-	-	(156,624)
Public safety	220,674	5,613	3,400	-	(211,661)
Public works	24,251	43,678	5,043	-	24,470
Community and economic development	18,476	4,525	-	-	(13,951)
Recreation and cultural	5,093	-	-	-	(5,093)
Interest on long-term debt	1,138	-	-	-	(1,138)
 Total governmental activities	 <u>\$ 477,399</u>	 <u>\$ 99,533</u>	 <u>\$ 8,443</u>	 <u>\$ -</u>	 <u>(369,423)</u>
General revenues:					
Property taxes					273,436
State shared revenue					197,271
Franchise fees					8,840
Interest income					490
Other					<u>5,205</u>
 Total general revenues					 <u>485,242</u>
 Change in net assets					 115,819
 Net assets - beginning					 <u>279,987</u>
 Net assets - ending					 <u>\$ 395,806</u>

See notes to financial statements



**Township of Norvell**  
**BALANCE SHEET - governmental funds**  
June 30, 2005

	<b>Major funds</b>			<b>Total governmental funds</b>
	<b>General</b>	<b>Fire</b>	<b>Police</b>	
<b>ASSETS</b>				
Cash	\$ 177,440	\$ 101,644	\$ 26,565	\$ 305,649
Receivables	84,744	-	-	84,744
Prepaid expenditure	21,395	-	-	21,395
<b>Total assets</b>	<b>283,579</b>	<b>101,644</b>	<b>26,565</b>	<b>411,788</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	16,242	-	8,463	24,705
Due to other funds	4,000	-	-	4,000
Escrows payable	44,162	-	-	44,162
Deferred revenue	38,184	-	-	38,184
<b>Total liabilities</b>	<b>102,588</b>	<b>-</b>	<b>8,463</b>	<b>111,051</b>
<b>Fund balances - unreserved</b>	<b>180,991</b>	<b>101,644</b>	<b>18,102</b>	<b>300,737</b>
<b>Total liabilities and fund balances</b>	<b>\$ 283,579</b>	<b>\$ 101,644</b>	<b>\$ 26,565</b>	<b>\$ 411,788</b>

Amounts reported for governmental activities in the statement of net assets (page 5) are different because:

Total fund balances - governmental funds	\$ 300,737
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	96,381
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,312)
Net assets of the Building Inspections Fund that have been combined with those of governmental activities.	-
<b>Net assets of governmental activities</b>	<b>\$ 395,806</b>

See notes to financial statements

**Township of Norvell**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended June 30, 2005

	<b>Major funds</b>			<b>Total governmental funds</b>
	<b>General</b>	<b>Fire</b>	<b>Police</b>	
<b>REVENUES</b>				
Property taxes	\$ 121,223	\$ 100,909	\$ 91,193	\$ 313,325
Licenses and permits	8,840	-	-	8,840
State grants	202,314	-	644	202,958
Charges for services	47,075	-	-	47,075
Fines and forfeitures	-	-	4,969	4,969
Interest and rentals	490	-	-	490
Other	12,136	-	3,425	15,561
<b>Total revenues</b>	<b>392,078</b>	<b>100,909</b>	<b>100,231</b>	<b>593,218</b>
<b>EXPENDITURES</b>				
Legislative	5,426	-	-	5,426
General government	192,734	-	-	192,734
Public safety	-	82,317	127,753	210,070
Public works	24,251	-	-	24,251
Community and economic development	18,476	-	-	18,476
Recreation and cultural	5,093	-	-	5,093
Capital outlay	5,919	-	4,428	10,347
Debt service:				
Principal	1,148	-	8,910	10,058
Interest	100	-	1,038	1,138
<b>Total expenditures</b>	<b>253,147</b>	<b>82,317</b>	<b>142,129</b>	<b>477,593</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>138,931</b>	<b>18,592</b>	<b>(41,898)</b>	<b>115,625</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	60,000	60,000
Transfers out	(60,648)	-	-	(60,648)
<b>Total other sources (uses)</b>	<b>(60,648)</b>	<b>-</b>	<b>60,000</b>	<b>(648)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>78,283</b>	<b>18,592</b>	<b>18,102</b>	<b>114,977</b>
<b>FUND BALANCES - BEGINNING</b>	<b>102,708</b>	<b>83,052</b>	<b>-</b>	<b>185,760</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 180,991</b>	<b>\$ 101,644</b>	<b>\$ 18,102</b>	<b>\$ 300,737</b>

See notes to financial statements

***Township of Norvell***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - *governmental funds* (Continued)**

*Year ended June 30, 2005*

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***Total  
governmental  
funds***

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Reconciliation of the statement of revenues, expenditures, and changes in fund  
balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ 114,977

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets are allocated over their  
estimated useful lives as depreciation expense.

Add: Capital asset acquisitions

1,261

Deduct: Provision for depreciation

(10,477)

Repayment of note payable principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement  
of net assets.

10,058

Net expenses of the Building Inspections Fund

-

Change in net assets of governmental activities

\$ 115,819

*See notes to financial statements*

**Township of Norvell**  
**STATEMENT OF NET ASSETS - proprietary fund**  
*June 30, 2005*

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	<u><b>Building Inspections</b></u>
<b>ASSETS</b>	
Cash	\$ 4,380
<b>LIABILITIES</b>	
Payables	<u>4,380</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>
Amounts reported for business-type activities in the government-wide statement of net assets (page 5) are different because:	
Assets and liabilities of the Building Inspections Fund have been combined with those of governmental activities.	<u>-</u>
Net assets of business-type activities	<u><u>\$ -</u></u>

*See notes to financial statements*

**Township of Norvell**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND**

**NET ASSETS - *proprietary fund***

*Year ended June 30, 2005*

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	<b><u>Building Inspections</u></b>
<b>OPERATING REVENUES</b>	
Charges for services - licenses and permits	\$ 56,840
<b>OPERATING EXPENSES</b>	
Salaries and fringe benefits	12,687
Contracted services	40,280
Miscellaneous	<u>4,521</u>
Total operating expenses	<u>57,488</u>
<b>OPERATING LOSS BEFORE TRANSFER IN</b>	(648)
<b>TRANSFER IN - General Fund</b>	648
<b>CHANGE IN NET ASSETS</b>	-
<b>NET ASSETS - BEGINNING</b>	<u>-</u>
<b>NET ASSETS - ENDING</b>	<u>\$ -</u>
<b>CHANGE IN NET ASSETS</b>	\$ -
Amounts reported for business-type activities in the government-wide statement of activities (page 6) are different because:	
Revenues and expenses of the Building Inspections Fund have been combined with those of the governmental activities.	<u>-</u>
Change in net assets of business-type activities	<u>\$ -</u>

*See notes to financial statements*

**Township of Norvell**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended June 30, 2005

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	<b><u>Building Inspections</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 56,840
Payments for salaries and fringe benefits	(12,687)
Payments to vendors and suppliers	<u>(42,641)</u>
Net cash provided by operating activities	1,512
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfer in - General Fund	<u>648</u>
<b>NET INCREASE IN CASH</b>	2,160
<b>CASH - BEGINNING</b>	<u>2,220</u>
<b>CASH - ENDING</b>	<u><u>\$ 4,380</u></u>
 <b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (648)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>2,160</u>
Net cash provided by operating activities	<u><u>\$ 1,512</u></u>

See notes to financial statements

**Township of Norvell**  
**STATEMENT OF FIDUCIARY NET ASSETS - agency funds**  
*June 30, 2005*

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**ASSETS**

Cash	\$ 6,084
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**LIABILITIES**

Due to others	\$ 6,084
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*See notes to financial statements*

**Township of Norvell**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Except as follows the accounting policies of the Township of Norvell, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The accompanying financial statements do not include the Wamplers Lake Sewer Debt Service Fund, the Vineyard Lake Sewer Debt Service Fund, and the Tax Collection Fund in the Township's financial statements. Accounting principles generally accepted in the United States of America require the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be presented as major governmental funds and financial information about the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, fund balances, net assets, revenues, and expenses of the governmental activities and the omitted major funds is not reasonably determinable. Accounting principles generally accepted in the United States of America require the Tax Collection Fund, an agency fund, to be presented as a fiduciary fund, thus increasing assets and liabilities of the fiduciary funds. The amount by which this departure would affect the assets and liabilities of the fiduciary funds is not reasonably determinable.

The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present activities of the Township. There are no component units, legally separate entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in



**Township of Norvell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):  
the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township's fire protection function. Revenues are primarily derived from property taxes.

The Police Fund accounts for the financial resources used for the operational costs of the Township's police department. Revenues are primarily derived from property taxes.

The Township reports a single proprietary fund, the Building Inspections Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township reports two fiduciary funds, the Trust and Agency Fund and the Payroll Withholding Fund, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Township of Norvell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Equipment	3 - 10 years
Vehicles	5 years
Shared road costs	20 years

iv) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Township of Norvell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity:*

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth the significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Recreation and cultural	\$ 3,050	\$ 5,093	\$ (2,043)
	Capital outlay	4,570	5,919	(1,349)
Police	Capital outlay	2,600	4,428	(1,828)
	Debt service - principal	4,000	8,910	(4,910)

NOTE 3 - CASH:

The Township's deposits were reported in the basic financial statements as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 310,029	\$ 6,084	\$ 316,113

*Deposits:*

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

**Township of Norvell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH (continued):**

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. As of June 30, 2005, \$211,551 of the Township's bank balances of \$398,717 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's funds are as follows (all are due within one year):

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 15,108	\$ 69,636	\$ 84,744

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 4,000	\$ 1,261	\$ -	\$ 5,261
Capital assets being depreciated:				
Buildings	101,080	-	-	101,080
Equipment	83,272	-	-	83,272
Subtotal	184,352	-	-	184,352
Less accumulated depreciation for:				
Buildings	(29,718)	(2,148)	-	(31,866)
Equipment	(53,037)	(8,329)	-	(61,366)
Subtotal	(82,755)	(10,477)	-	(93,232)
Total capital assets being depreciated, net	101,597	(10,477)	-	91,120
Governmental activities capital assets, net	\$ 105,597	\$ (9,216)	\$ -	\$ 96,381

**Township of Norvell**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 5 - CAPITAL ASSETS (continued):**

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 4,949
Public safety	<u>5,528</u>
Total governmental activities	<u>\$ 10,477</u>

**NOTE 6 - PAYABLES:**

Payables as of year end of the Township's funds, are as follows:

<u>Fund:</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Total</u>
Governmental:			
General	\$ 11,574	\$ 4,668	\$ 16,242
Police	<u>8,463</u>	<u>-</u>	<u>8,463</u>
	<u>\$ 20,037</u>	<u>\$ 4,668</u>	<u>\$ 24,705</u>
Proprietary: Building Inspections	<u>\$ -</u>	<u>\$ 4,380</u>	<u>\$ 4,380</u>

**NOTE 7 - LONG-TERM LIABILITIES:**

At June 30, 2005, the Township reported a single long-term liability - 5.15% \$5,000 Note payable, Kansas State Bank of Manhattan; due in monthly installments of \$104, including interest, through June 2006.

Long-term liability activity for the year ended June 30, 2005 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Kansas State Bank installment loan	\$ 2,460	\$ -	\$ (1,148)	\$ 1,312	\$ 1,312
Onstead Bank installment loan	<u>8,910</u>	<u>-</u>	<u>(8,910)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,370</u>	<u>\$ -</u>	<u>\$ (10,058)</u>	<u>\$ 1,312</u>	<u>\$ 1,312</u>

At June 30, 2005, debt service requirements were as follows:

<u>Year ended</u>	<u>Governmental activities</u>	
<u>June 30:</u>	<u>Principal</u>	<u>Interest</u>
2006	<u>\$ 1,312</u>	<u>\$ 273</u>

All debt is secured by the full faith and credit of the Township.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - INTERFUND BALANCES AND TRANSFERS:**

At June 30, 2005, the General Fund held special assessment collections on behalf of the Vineyard Lake Sewer District Debt Service Fund. As the Vineyard Lake Sewer District Debt Service Fund has been excluded from these financial statements, the statement of net assets continues to report this liability.

The General Fund transferred \$60,000 to the Police Fund to cover operations. The General Fund also transferred \$648 to the Building Inspections Fund to cover operations.

**NOTE 9 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all full-time employees (over 20 hours per week) and Township trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 12% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$15,735 for the year ended June 30, 2005.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

## REQUIRED SUPPLEMENTARY INFORMATION

**Township of Norvell**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 123,250	\$ 123,250	\$ 121,223	\$ (2,027)
Licenses and permits	6,000	6,000	8,840	2,840
State grants	204,000	204,000	202,314	(1,686)
Charges for services	22,850	22,850	47,075	24,225
Fines and forfeitures	7,000	7,000	-	(7,000)
Interest and rentals	2,600	2,600	490	(2,110)
Other	21,095	21,095	12,136	(8,959)
Total revenues	<u>386,795</u>	<u>386,795</u>	<u>392,078</u>	<u>5,283</u>
<b>EXPENDITURES</b>				
Legislative	<u>5,870</u>	<u>5,520</u>	<u>5,426</u>	<u>94</u>
General government:				
Supervisor	15,357	15,842	15,799	43
Elections	9,250	7,660	7,715	(55)
Assessor	29,985	28,660	28,329	331
Clerk	16,755	16,255	16,197	58
Board of review	2,950	1,550	1,384	166
Treasurer	24,409	24,409	23,723	686
Hall and grounds	10,775	17,453	17,655	(202)
Cemetery	19,369	17,449	18,440	(991)
General administration	55,151	64,469	63,492	977
Total general government	<u>184,001</u>	<u>193,747</u>	<u>192,734</u>	<u>1,013</u>
Public works:				
Road maintenance	14,500	7,500	7,187	313
Street lights	8,000	9,541	10,314	(773)
Waste disposal	6,997	7,067	6,750	317
Sewer districts	6,275	-	-	-
Total public works	<u>35,772</u>	<u>24,108</u>	<u>24,251</u>	<u>(143)</u>



**Township of Norvell**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Community and economic development - planning and zoning	\$ 13,915	\$ 18,575	\$ 18,476	\$ 99
Recreation and cultural - parks and recreation	3,450	3,050	5,093	(2,043)
Capital outlay	2,600	4,570	5,919	(1,349)
Debt service - principal	1,648	1,648	1,148	500
Debt service - interest	100	100	100	-
Total expenditures	247,356	251,318	253,147	(1,829)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	139,439	135,477	138,931	3,454
<b>OTHER FINANCING USES</b>				
Transfers out:				
Building Inspections Fund	-	-	(648)	(648)
Police Fund	(60,000)	(60,000)	(60,000)	-
Total other financing uses	(60,000)	(60,000)	(60,648)	(648)
<b>NET CHANGES IN FUND BALANCES</b>	79,439	75,477	78,283	2,806
<b>FUND BALANCES - BEGINNING</b>	102,708	102,708	102,708	-
<b>FUND BALANCES - ENDING</b>	\$ 182,147	\$ 178,185	\$ 180,991	\$ 2,806

**Township of Norvell**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended June 30, 2005

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 101,000	\$ 101,000	\$ 100,909	\$ (91)
<b>EXPENDITURES</b>				
Public safety - fire protection	<u>97,089</u>	<u>97,089</u>	<u>82,317</u>	<u>14,772</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	3,911	3,911	18,592	14,681
<b>FUND BALANCES - BEGINNING</b>	<u>83,052</u>	<u>83,052</u>	<u>83,052</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 86,963</u>	<u>\$ 86,963</u>	<u>\$ 101,644</u>	<u>\$ 14,681</u>

**Township of Norvell**  
**BUDGETARY COMPARISON SCHEDULE - Police Fund**  
Year ended June 30, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ -	\$ 92,000	\$ 91,193	\$ (807)
State grants	-	1,600	644	(956)
Fines and forfeitures	-	7,000	4,969	(2,031)
Other	-	2,350	3,425	1,075
	<u>-</u>	<u>102,950</u>	<u>100,231</u>	<u>(2,719)</u>
Total revenues	<u>-</u>	<u>102,950</u>	<u>100,231</u>	<u>(2,719)</u>
<b>EXPENDITURES</b>				
Public safety - police protection	-	127,088	127,753	(665)
Capital outlay	-	2,600	4,428	(1,828)
Debt service - principal	-	4,000	8,910	(4,910)
Debt service - interest	-	1,000	1,038	(38)
	<u>-</u>	<u>134,688</u>	<u>142,129</u>	<u>(7,441)</u>
Total expenditures	<u>-</u>	<u>134,688</u>	<u>142,129</u>	<u>(7,441)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	-	(31,738)	(41,898)	(10,160)
<b>OTHER FINANCING SOURCES</b>				
Transfer in - General Fund	-	60,000	60,000	-
<b>NET CHANGES IN FUND BALANCES</b>	-	28,262	18,102	(10,160)
<b>FUND BALANCES - BEGINNING</b>	-	-	-	-
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ 28,262</u>	<u>\$ 18,102</u>	<u>\$ (10,160)</u>

To the Board of Trustees  
Township of Norvell, Michigan

In planning and performing our audits of the financial statements of the Township of Norvell as of and for the years ended June 30, 2006, 2005, and 2004, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Norvell's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following control deficiencies constitute material weaknesses.

- Supporting documentation for special assessment collections related to the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund was not retained by the Township Treasurer.
- Special assessment receivable balances, by parcel, of the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund were not reconciled to their respective control totals by the Township Treasurer.
- The Township Treasurer did not maintain general ledgers for the Wamplers Lake Sewer Debt Service Fund, the Vineyard Lake Sewer Debt Service Fund, or the Tax Collection Fund, so as to account for the assets, liabilities, and, where applicable, related revenues and expenditures, of such funds.
- The Township Treasurer has not made timely transfers of property taxes and special assessments collected by the Tax Collection Fund to other funds of the Township.



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To the Board of Trustees  
Township of Norvell, Michigan  
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- Monitoring procedures over control activities of the Treasurer's office have not been implemented.
- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of management, the Board of Trustees, and the Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*

April 2, 2008